

reduced by the amount determined under clause (i), and”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to taxable years beginning before January 1, 2002.

(d) **EFFECTIVE DATE.**—Except as provided in subsection (c), the amendments made by this section shall apply to net operating losses for taxable years ending after December 31, 2000.

SEC. 205. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) **15-YEAR RECOVERY PERIOD.**—Subparagraph (E) of section 168(e)(3) (relating to 15-year property) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) any qualified leasehold improvement property.”

(b) **QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.**—Subsection (e) of section 168 is amended by adding at the end the following new paragraph:

“(6) **QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.**—

“(A) **IN GENERAL.**—The term ‘qualified leasehold improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if—

“(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

“(I) by the lessee (or any sublessee) of such portion, or

“(II) by the lessor of such portion,

“(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

“(iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

“(B) **CERTAIN IMPROVEMENTS NOT INCLUDED.**—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator,

“(iii) any structural component benefiting a common area, and

“(iv) the internal structural framework of the building.

“(C) **DEFINITIONS AND SPECIAL RULES.**—For purposes of this paragraph—

“(i) **COMMITMENT TO LEASE TREATED AS LEASE.**—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

“(ii) **RELATED PERSONS.**—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term ‘related persons’ means—

“(I) members of an affiliated group (as defined in section 1504), and

“(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase ‘80 percent or more’ shall be substituted for the phrase ‘more than 50 percent’ each place it appears in such subsection.

“(D) **IMPROVEMENTS MADE BY LESSOR.**—

“(i) **IN GENERAL.**—In the case of an improvement made by the person who was the lessor of such improvement when such improvement was placed in service, such improvement shall be qualified leasehold improvement property (if at all) only so long as such improvement is held by such person.

“(ii) **EXCEPTION FOR CHANGES IN FORM OF BUSINESS.**—Property shall not cease to be qualified leasehold improvement property under clause (i) by reason of—

“(I) death,

“(II) a transaction to which section 381(a) applies, or

“(III) a mere change in the form of conducting the trade or business so long as the property is retained in such trade or business as qualified leasehold improvement property and the taxpayer retains a substantial interest in such trade or business.

“(iii) **TREATMENT OF FAILURES TO MAINTAIN SUBSTANTIAL INTEREST IN TRADE OR BUSINESS.**—In the case of property to which clause (ii)(III) would apply but for the failure of the taxpayer to retain a substantial interest in a trade or business, the remaining adjusted basis of such property shall be depreciated under this section over 39 years.”

(c) **REQUIREMENT TO USE STRAIGHT LINE METHOD.**—Paragraph (3) of section 168(b) is amended by adding at the end the following new subparagraph:

“(G) Qualified leasehold improvement property described in subsection (e)(6).”

(d) **ALTERNATIVE SYSTEM.**—The table contained in section 168(g)(3)(B) is amended by adding at the end the following new item:

“(E)(iv) 15”.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to qualified leasehold improvement property placed in service after September 10, 2001.

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Extensions

SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS AGAINST REGULAR AND MINIMUM TAX LIABILITY.

(a) **IN GENERAL.**—Paragraph (2) of section 26(a) is amended—

(1) by striking “RULE FOR 2000 AND 2001.” and inserting “RULE FOR 2000, 2001, 2002, AND 2003.”, and

(2) by striking “during 2000 or 2001,” and inserting “during 2000, 2001, 2002, or 2003.”.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 904(h) is amended by striking “during 2000 or 2001” and inserting “during 2000, 2001, 2002, or 2003”.

(2) The amendments made by sections 201(b), 202(f), and 618(b) of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to taxable years beginning during 2002 and 2003.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.

(a) **IN GENERAL.**—Section 30 is amended—

(1) in subsection (b)(2)—

(A) by striking “December 31, 2001,” and inserting “December 31, 2003.”, and

(B) in subparagraphs (A), (B), and (C), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2004”, “2005”, and “2006”, respectively, and

(2) in subsection (e), by striking “December 31, 2004” and inserting “December 31, 2006”.

(b) **CONFORMING AMENDMENTS.**—

(1) Subparagraph (C) of section 280F(a)(1) is amended by adding at the end the following new clause:

“(iii) **APPLICATION OF SUBPARAGRAPH.**—This subparagraph shall apply to property placed in service after August 5, 1997, and before January 1, 2007.”

(2) Subsection (b) of section 971 of the Taxpayer Relief Act of 1997 is amended by striking “and before January 1, 2005”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after December 31, 2001.

SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM CERTAIN RENEWABLE RESOURCES.

(a) **IN GENERAL.**—Subparagraphs (A), (B), and (C) of section 45(c)(3) are both amended by striking “2002” and inserting “2004”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to facilities placed in service after December 31, 2001.

SEC. 304. WORK OPPORTUNITY CREDIT.

(a) **IN GENERAL.**—Subparagraph (B) of section 51(c)(4) is amended by striking “2001” and inserting “2003”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 305. WELFARE-TO-WORK CREDIT.

(a) **IN GENERAL.**—Subsection (f) of section 51A is amended by striking “2001” and inserting “2003”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.

(a) **IN GENERAL.**—Section 179A is amended—

(1) in subsection (b)(1)(B)—

(A) by striking “December 31, 2001,” and inserting “December 31, 2003.”, and

(B) in clauses (i), (ii), and (iii), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2004”, “2005”, and “2006”, respectively, and

(2) in subsection (f), by striking “December 31, 2004” and inserting “December 31, 2006”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to property placed in service after December 31, 2001.

SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.

(a) **IN GENERAL.**—Subparagraph (H) of section 613A(c)(6) is amended by striking “2002” and inserting “2004”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

SEC. 308. QUALIFIED ZONE ACADEMY BONDS.

(a) **IN GENERAL.**—Paragraph (1) of section 1397E(e) is amended by striking “2000, and 2001” and inserting “2000, 2001, 2002, and 2003”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to obligations issued after the date of the enactment of this Act.

SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.

(a) **IN GENERAL.**—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2002” and inserting “January 1, 2004”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to articles brought into the United States after December 31, 2001.

SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.

(a) **IN GENERAL.**—Subsection (f) of section 9812, as amended by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2002, is amended to read as follows:

“(f) **APPLICATION OF SECTION.**—This section shall not apply to benefits for services furnished—

“(1) on or after September 30, 2001, and before January 10, 2002, and

“(2) after December 31, 2003.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2000.